



National Postal Mail Handlers Union

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**STATEMENT OF
JOHN F. HEGARTY, NATIONAL PRESIDENT
NATIONAL POSTAL MAIL HANDLERS UNION**

**BEFORE THE

SENATE COMMITTEE ON

HOMELAND SECURITY

&

GOVERNMENTAL AFFAIRS**

**OUTSIDE THE BOX: REFORMING AND RENEWING THE
POSTAL SERVICE, PART II – PROMOTING A 21ST
CENTURY WORKFORCE**

September 26, 2013

Chairman Carper and members of the Committee. On behalf of the National Postal Mail Handlers Union, I am John Hegarty, National President of the Mail Handlers Union since 2002. I appreciate the opportunity to testify today and to present our views.

The NPMHU represents more than 45,000 craft employees, the overwhelming majority of whom work in the Postal Service's large processing facilities. Our members often perform the most dangerous, dirty, and difficult jobs in the postal system. We sort mail on machines that sometimes are a block or more long. We drive the forklifts and other heavy machinery. Our members are the first to touch the mail when it arrives for processing, and often are the last to touch it when as it winds its way to delivery facilities.

Processing is time sensitive and labor intensive. Further reductions in the number of processing facilities or in the hours worked by mail handlers will have a direct and, we believe, a dire impact on the timely processing and delivery of all classes of mail. This is especially true for mail items that need prompt processing and delivery, such as not only Priority, Express, or First-Class Mail, but also medicines from various pharmacy companies, DVDs through Netflix or similar companies, and newspapers or magazines and advertisements that are time sensitive.

The Postal Service has faced some severe economic realities. The worst American recession since the Great Depression and a larger-than-expected decline in mail volume caused, in part, by electronic diversion have combined to test the Postal Service's financial well-being. In the past three years, the Postal Service has not been able to meet its statutory obligation to continue the pre-funding of its retiree health benefits.

To the extent that the Postal Service has had to downsize because of these economic conditions, that downsizing has already occurred. The Postal Service has eliminated almost 300 processing plants in the past five years, and the Postal Service has reduced its employee complement by more than 300,000 employees in the past twelve years.

To the extent that postal employees need to contribute to the financial turnaround of the Postal Service, all postal employees have already sacrificed. My members, as well as other postal employees, have had their wages frozen for the past two years, and we have had our employee contributions increased for both health insurance and retirement. There has been a 25% reduction in the number of mail handlers, and the remaining employees are working harder, and more productively, than at any time in American history. Many members of the Mail Handlers Union – now more than 5,000 – are working in non-career, part-time jobs at reduced pay rates. And thousands of career mail handlers and other employees have been involuntarily excessed or transferred to other work locations, often hundreds of miles away, and have had to up-root their homes and their families because of closings and consolidations of the postal network.

Last week, the Postmaster General testified that the Postal Service had reduced costs by \$16 billion during the past few years. As a service industry with labor-intensive costs, it should be clear that most of those savings have come from its employees. Indeed, in April 2011, during House testimony, the PMG projected a cost savings of \$3.8 billion from the negotiated four and one-half year collective bargaining agreement that it had only recently reached with the American Postal Workers Union. Similar although not identical agreements resulted from arbitration proceedings with the other three postal unions, including the NPMHU, and thus a fair estimate would be that approximately \$12 billion of the Postal Service's expense reductions over the past few years have come from its workforce. Mail handlers and other postal employees have

contributed to the rejuvenation of the Postal Service. The question must be asked, what have other stakeholders contributed?

First and foremost, it is now time for Congress to do its share. Most of the losses announced by the Postal Service during the last few years have nothing to do with a failing business model or the obsolescence of the mail. In 2006, Congress mandated that the Postal Service pre-fund future retiree health benefits for the next 75 years, and also mandated that the Postal Service do so within 10 years. This is something that no other public agency or private firm does, or would ever do, if allowed to adopt and implement a rational financial plan. For the first few years after 2006, as mail volume and postal revenue were booming, the Postal Service met its obligations, and as a result, the Postal Service now has \$49.1 billion in its Retiree Health Benefits Fund. That means that more than 50% of its long-term retiree health care obligations are already funded, which is substantially more than the private-sector average of 30% funding, and immeasurably more than the federal government's zero-based funding of its own retiree health obligations.

The facts are even brighter with regard to retirement. The Postal Service not only has fully funded all of its future retirement costs, but in fact the Postal Service has overfunded its share of FERS or the Federal Employees Retirement System. Congress needs to act immediately to adjust the FERS account using postal-specific data and then return the overpayments to the Postal Service. Nor should there be any severe restrictions on how the Postal Service uses those monies; it should be allowed to pay down some of its debt and invest in programs and technologies to grow the postal business.

With all respect, the proposed legislation recently introduced by Chairman Carper and Ranking Member Coburn fails miserably on both of these issues. With regard to retiree health, the bill does not eliminate the remaining pre-funding requirement, but rather simply defers these

unreasonable and unaffordable payments until 2016. Although the bill correctly reduces the overall funding to 80% of total liability and allows for the payment of current retiree health premiums from the Retiree Health Benefits Fund, the annual payments required from the Postal Service under S. 1486, starting in 2016, actually might surpass USPS obligations under current law.

With regard to pension, the draft bill unacceptably caps the FERS refund at only \$6 billion, even if the actual surplus is considerably higher. S. 1486 also fails to require an accurate calculation of the postal surplus attributable to CSRS or the Civil Service Retirement System, in the manner reasonably proposed by S. 316, which has been introduced by Senator Sanders and now has 30 co-sponsors in the Senate. And in one of its most unjustified provisions, S. 1486 would subject the continuation of federal health and retirement benefits for postal employees to future negotiation and arbitration, thereby threatening the future solvency and stability of the entire Federal Employees Health Benefit Program and threatening to single-out new postal employees for grossly unfair treatment on the subject of employee benefits.

The bill currently pending before this Committee also is deficient on issues relating to the maintenance of service by the Postal Service. S. 1486 would allow for the continued dismantling of the mail processing and delivery network that always has been the backbone of the Postal Service. Allowing the Postal Service to reduce service standards or eliminate days and/or points of delivery will only lead to lower-quality and slower service. Inevitably, this will cause additional losses in business from mailers and the American public, which in turn will lead to deeper cuts and a continuing crisis. What Congress needs to mandate is a moratorium on additional closings or consolidations of mail processing facilities, a continuation of six-day and door-to-door delivery, and a re-emphasis on the continuing importance and vitality of the Postal Service. If Congress shows the resolve to protect the Postal Service as a long-standing and necessary American institution, the mailing public will respond

with its business and its continuing support. By itself, such reaffirmation of the public's commitment to the Postal Service would help to ensure future business development around the Postal Service, thereby contributing to a positive rather than a negative financial outlook.

A contribution also is necessary from the nation's mailers, who seem to be blinded by potential rate increases to the detriment of the overall survival of the Postal Service. As Inspector General Williams testified last week, the Postal Service's main competitors have been increasing their rates by two times the rate of inflation, with little negative impact on their business. The Mail Handlers Union sees no reason that the major mailers and the general American mailing public should not be asked to contribute their fair share to the future success of the Postal Service, perhaps by loosening the cap on rates to something more than the Consumer Price Index or by measuring inflation with another index that more realistically reflects the cost pressures faced by the Postal Service.

As currently drafted, S. 1486 also contains a wholly unjustified and largely unexamined reduction in workers compensation benefits. As proposed, the legislation would severely penalize injured federal workers with the worst injuries, by forcing them into a retirement system that is based on their final salary even though they were prohibited from earning increases in salary because of their on-the-job injuries. These injured workers also would be unable to save through the Thrift Savings Plan or earn Social Security credits while receiving workers compensation. Even worse, these provisions have been included in this bill without any hearings into their efficacy, and without the support of any experts with a working knowledge about the actual impact of these changes. These provisions need to be removed from any bill that is being seriously considered.

On a more positive note, the NPMHU fully supports legislation that would allow the Postal Service to use its retail, processing, and delivery network to provide non-postal services, especially as a means of assisting governmental agencies or other nonprofit entities in reducing their own costs. As an important part of the nation's communications and logistics system, there is no reason that the network-based resources of the Postal Service should be not be shared with other organizations whose primary aim is to serve the American public.

Finally, let me address the Postal Service's proposals to change its retirement and health insurance programs.

- With regard to retirement, there is no basis whatsoever for the Postal Service's proposal to leave the FERS system and adopt a separate defined contribution program. As already noted, the Postal Service's retirement obligations are fully funded, if not overfunded, and do not impose an unacceptably large burden on postal finances.

- As for health insurance, the Postal Service continues to call publicly for a USPS-only health plan, but that proposal is inconsistent with several principles that determine the NPMHU's approach to health care for its members and other postal employees. First, the NPMHU will insist that the Postal Service remain part of the Federal Employees Health Benefit Program, to ensure the continued success of that program, and to take advantage of the size and bargaining power represented by the Office of Personnel Management. Second, the NPMHU will insist that its members continue to have a wide range of choices in health insurance plans, so that individual employees can choose which plan is best based on their family situation and other circumstances. Within these guidelines, the NPMHU continues to work with the Postal Service and other stakeholders on a comprehensive approach to health care that will allow mail handlers and other postal employees to rely, to a larger extent than under current law, on the Medicare benefits for which the

employees and the Postal Service already have paid. It is hoped that this comprehensive approach also will resolve contentious issues relating to the pre-funding requirements for the Retiree Health Benefits Fund.

We look forward to continuing to work with Congress going forward, to not only help the Postal Service survive, but to grow and thrive. I would be happy to take your questions.